

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 10725

E.O. 11652: GDS
TAGS: PFOR, IN, NP
SUBJECT: INDO-NEPALI RELATIONS: VAJPAYEE'S VISIT TO NEPAL

REF: A. NEW DELHI 10277, B. KATHMANDU 2990 (NOTAL)

SUMMARY: WHILE FOREIGN MINISTER VAJPAYEE SUCCESSFULLY DODGED QUESTIONS IN PARLIAMENT JULY 26 REGARDING THE "OPEN MIND" OF INDIA TOWARD NEPAL'S PROPOSAL THAT IT BE A ZONE OF PEACE, HIS JOINT SECRETARY C. V. RANGANATHAN TOLD US THEY NEXT DAY THAT THE GOI'S REACTION TO THE PROPOSAL WAS IN FACT COMPLETELY NEGATIVE. VAJPAYEE PRESENTED A BLAND STATEMENT TO PARLIAMENT ON HIS VISIT TO NEPAL WHICH EMPHASIZED THE COMMUNITY OF INTERESTS AND THE INDIAN DESIRE FOR GOOD RELATIONS. ON WATER DEVELOPMENT PROJECTS, HE SAID INDIA AND NEPAL WOULD HAVE TO SEEK INTERNATIONAL ASSISTANCE FOR THE EXPENSIVE KARNALI HYDRO-ELECTRIC SCHEME RANGANATHAN EXPECTS THAT THE TRADE AND TRANSIT ISSUE CAN BE RESOLVED WITHIN TWO MONTHS AND THAT NEPAL WILL APPROACH THE WORLD BANK ON FINANCING THE KARNALI PROJECT. THE NEPALESE EMBASSY COUNSELLOR SEES THE JANATA GOVT'S ATTITUDE TOWARDS NEPAL AS AN IMPROVEMENT OVER THE GANDHI REGIME'S APPROACH. END SUMMARY.

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1. RESPONDING JULY 26 TO A PARLIAMENTARY CALL-ATTENTION MOTION ON HIS VISIT TONEPAL, FOREIGN MINISTER A. B. VAJPAYEE PRESENTED A BLAND STATEMENT WHICH STRESSED THAT THE VISIT HAD BEEN ONE OF GOOD WILL AND HIS TALKS HAD RESULTED IN A "RECOGNITION OF THE OVERRIDING COMMUNITY OF OUR INTERESTS IN CEMENTING OUR FRIENDSHIP". ON THE ZONE OF PEACE, HE REITERATED INDIA'S DESIRE THAT THE SUBCONTINENT BE AN AREA OF PEACE AND ITS WILLINGNESS TO

CONSIDER "ANY SUGGESTIONS FROM THE GOVT OF NEPAL WITH AN OPEN MIND". ON TRADE AND TRANSIT, HE EMPHASIZED THAT THE CONTINUATION OF THE PROVISIONS OF THE PREVIOUS TREATY PENDING A NEW AGREEMENT SHOWED THAT INDIA WAS "MOST ANXIOUS TO AVOID ANY DIFFICULTY" IN EITHER BILATERAL TRADE OR NEPAL'S TRANSIT TRADE WITH THIRD COUNTRIES TO A SUPPLEMENTARY QUESTION ON THE PANCHESWAR, RAPTI AND KARNALI RIVER DEVELOPMENT PROJECTS, VAJPAYEE SAID THAT BECAUSE OF THE COST OF THE KARNALI HYDRO-ELECTRIC SCHEME INDIA AND NEPAL WOULD HAVE TO SEEK INTERNATIONAL ASSISTANCE. ASKED ABOUT B. P. KOIRALA, VAJPAYEE REPLIED THAT HE COULD NOT DISCUSS IN PARLIAMENT ALL THE SUBJECTS THAT HAD BEEN COVERED DURING THE TALKS IN NEPAL. EFFORTS BY SEVERAL JANATA MEMBERS AND BY OPPOSITION LEADER Y.B. CHAVAN TO HAVE THE FOREIGN MINISTER CLARIFY HIS REMARKS ABOUT THE NEPALI ZONE OF PEACE WERE THWARTED BY THE SPEAKER OF THE LOK SABHA WHO RULED THAT ONLY THE TABLER OF THE MOTION COULD RAISE FURTHER QUESTIONS.

2. IN CONVERSATION WITH THE POLITICAL COUNSELOR JULY 27, C. V. RANGANATHAN, JOINT SECRETARY (NORTH), MEA, WHO HAD ACCOMPANIED VAJPAYEE TO NEPAL AND HAD DRAFTED HIS PARLIAMENTARY STATEMENT, SAID THAT THERE WAS NO DIFFERENCE WHATEVER IN THE ATTITUDES OF THE PREVIOUS AND PRESENT INDIAN GOVTS TOWARD THE NEPALI ZONE OF PEACE CONCEPT. FOR "COSMETIC PURPOSES", VAJPAYEE HAD TOLD THE NEPALESE THAT AS A NEW MINISTER IN OFFICE HE WANTED TO LOOK INTO THE PROPOSAL BUT, RANGANATHAN SAID, THE REAL POSITION WAS THAT THE PROPOSAL WAS GOING NOWHERE. DESPITE QUERIES FROM THE CONFIDENTIAL

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INDIANS, THE NEPALESE HAD NEVER DEFINED WHAT THEY MEANT BY A "ZONE OF PEACE". MOREOVER, THE INDIANS FELT THAT NEPALESE SECURITY WAS COVERED BY THE 1950 INDO-NEPALESE TREATY OF FRIENDSHIP.

3. CONFIRMING THAT TRADE AND TRANSIT TALKS WOULD CONTINUE THROUGH DIPLOMATIC CHANNELS, RANGANATHAN WAS CONFIDENT THAT THE ISSUE COULD BE RESOLVED WITHIN TWO MONTHS. THE STICKING POINT, HE SAID, WAS THE DIVERSION OF FOREIGN GOODS TO INDIA AND THE INDIANS WERE NIXING AT SOME NEPALI PROPOSALS TO CONTROL SUCH SMUGGLING. ON OTHER MATTERS, THE INDIANS WERE PREPARED TO MEET NEPALESE CONCERNS ABOUT PORT AND RAIL FACILITIES FOR TRANSIT AND TO LIBERALIZE TRADE POLICIES TO ALLOW THE IMPORT INTO INDIA, MOSTLY DUTY FREE, OF NEPALI MANUFACTURES CONTAINING AS MUCH AS 90 PERCENT INDIAN RAW MATERIALS, IN CONTRAST TO THE PRESENT 50 PERCENT LEVEL. REGARDING THE KARNALI PROJECT, RANGANATHAN SAID THAT HE UNDERSTOOD THE NEPALESE WOULD APPROACH THE WORLD BANK. A NORWEGIAN GROUP FINANCED BY THE UNDP HAD ALREADY PREPARED A FEASIBILITY STUDY, AND RANGANATHAN ESTIMATED THAT THE PROJECT WOULD COST 1,200 CRORES (APPROX. US DOLS 1.4 BILLION).

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4. RANGANATHAN SAID THAT HE HAD THE IMPRESSION THAT THE NEPALIS HAD BEEN QUITE REASSURED BY THE INDIAN ASSURANCES THAT THEY WOULD NOT INTERFERE IN NEPALI DOMESTIC AFFAIRS. THE MATTER HAD BEEN DISCUSSED IN VAJPAYEE'S CONVERSATION WITH THE KING, WHICH HAD GONE WELL. WHILE HE WOULD NOT CHARACTERIZE PRIME MINISTER TULSI GIRI'S OPINION AS REPENTANT, RANGANATHAN THOUGHT NEVERTHELESS THAT GIRI TOOK AN EASIER POSITION. WHAT WOULD HAPPEN AFTER KOIRALA'S RETURN FROM THE US WAS ANYONE'S GUESS, RANGANATHAN SAID. MUCH DEPENDED ON WHAT HAD BEEN SAID DURING KOIRALA'S TALK WITH THE KING BEFORE HIS DEPARTURE FOR US, AND THE INDIANS WERE NOT INFORMED ABOUT THAT DISCUSSION.

5. IN CONVERSATION WITH EMBOFF LAST WEEK, NEPALESE COUNSELLOR JAI PRATAP RANA SAID THAT VAJPAYEE'S VISIT HAD BEEN IMPORTANT FOR THE "ATMOSPHERICS". HE CONTRASTED FAVORABLY THE JANATA GOVT'S EMPHASIS UPON MUTUAL RESPECT AND COOPERATION TO THE GANDHI GOVT'S STRESS ON "RECIPROCITY", WHICH RANA SAID REALLY WAS MEANT TO REINFORCE THE IDEA THAT NEPAL WAS DEPENDENT UPON A DOMINANT INDIA. ALTHOUGH ALLOWING THAT VAJPAYEE'S REMARKS ON THE ZONE OF PEACE COULD BE INTERPRETED AS EVADING THE ISSUE, RANA THOUGHT THAT THE REMARKS MIGHT ALSO BE INDICATIVE OF THE DIFFICULTIES THAT VAJPAYEE FACES INTERNALLY BECAUSE OF
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FACTIONS IN THE MINISTRIES OF EXTERNAL AFFAIRS AND DEFENSE WHO WILL GIVE NO CONSIDERATION AT ALL TO THE CONCEPT. ON TRADE AND

TRANSIT, RANA REVIEWED THE NEPALESE CONCERNS ABOUT INDIAN RESTRICTIONS INCLUDING THOSE ON NEPALI MANUFACTURED GOODS, AND THE DESIRE OF THE NEPALIS THAT TRANSIT BE THE SUBJECT OF A SEPARATE AGREEMENT. JAI RANA SAW MORE BENEFIT TO INDIA THAN NEPAL IN THE VARIOUS WATER PROJECTS BUT SAID THAT NEPAL WAS WILLING TO ENTER INTO SUCH AGREEMENTS BECAUSE IT GAINED IN OTHER AREAS OF INDIAN ECONOMIC ASSISTANCE. NEPAL WAS, HOWEVER, CONCERNED ABOUT THE AMOUNT OF LAND SUCH WATER DEVELOPMENT SCHEMES REQUIRED.

6. RANA SAID THAT THE GON WAS NOT PRESENTLY CONCERNED THAT THE CENTRAL GOVT OF INDIA WOULD INVOLVE ITSELF IN NEPALI INTERNAL POLITICAL AFFAIRS, BUT HE EXPRESSED THE FEAR THAT THE CENTRE WOULD NOT BE ABLE TO CONTROL THE STATE GOVTS IN BIHAR, UP AND WEST BENGAL, WHOSE LEADERS HAVE TIES EITHER TO B. P. KOIRALA OR TO NEPALI COMMUNISTS, SHOULD THEY CHOOSE TO SUPPORT "ANTI-NATIONAL ACTIVITIES" IN NEPAL.

7. COMMENT: AS IN HIS PRESS CONFERENCE, THE FOREIGN MINISTER IN PARLIAMENT SEEMED BENT ON SAYING AS LITTLE AS POSSIBLE PUBLICLY ABOUT INDO-NEPALI RELATIONS, AVOIDING ALL CONTROVERSIAL ASPECTS AND STRESSING INSTEAD THE MUTUALITY OF INTERESTS IN THE CONTEXT OF INDIA'S DESIRE TO IMPROVE ITS RELATIONS WITH ALL ITS NEIGHBORS. RANGANATHAN WOULD SEEM TO CONFIRM THE GON VIEW (REF B) THAT VAJPAYEE'S STATEMENTS ABOUT AN OPEN MIND ON THE ZONE OF PEACE CONCEPT ARE MISLEADING, AT LEAST FOR THE PRESENT. RANGANATHAN IN HIS COMMENTS CONVEYED THE OVER-ALL IMPRESSION THAT THE MEA SEES FEW SIGNIFICANT PROBLEMS IN INDIA-NEPALI RELATIONS AND THAT THE GOI IS BEING ACCOMMODATING IN SEEKING TO RESOLVE NEPALI CONCERNS. IN CONTRAST, THE NEPALI COUNSELLOR, WHILE OBVIOUSLY MUCH PREFERRING THE JANATA TO THE GANDHI GOVT AND WISHING TO SEE VAJPAYEE'S VISIT IN THE BEST LIGHT POSSIBLE, NEVERTHELESS BETRAYED A CONCERN

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THAT THE NEW GOI STILL DOES NOT SUFFICIENTLY APPRECIATE WHAT NEPAL VIEWS AS ITS NEED FOR PREFERENTIAL TREATMENT TO HELP DEVELOP ITS ECONOMY AND TRADE

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Message Attributes

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